

# FOREIGN SERVICE ACT ANNUITIES ADJUSTMENT

Mr. HAYS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 14789) to amend title VIII of the Foreign Service Act of 1946, as amended, relating to the Foreign Service retirement and disability system, and for other purposes.

The Clerk read as follows:

H.R. 14789

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Foreign Service Act Amendments of 1969".

## TITLE I—FOREIGN SERVICE RETIREMENT FINANCING

SEC. 101. Section 804(b) of the Foreign Service Act of 1946 (22 U.S.C. 1064(b)) is amended by adding at the end thereof the following new paragraphs:

"(4) 'Fund balance' means the sum of—

"(A) the investments of the Fund calculated at par value; and

"(B) the cash balance of the Fund on the books of the Treasury.

"(5) 'Unfunded liability' means the estimated excess of the present value of all benefits payable from the Fund over the sum of—

"(A) the present value of deductions to be withheld from the future basic salary of participants and of future agency contributions to be made in their behalf; plus

"(B) the present value of Government payments to the Fund under section 865 of this title; plus

"(C) the Fund balance as of the date the unfunded liability is determined."

SEC. 102. (a) Section 811(a) of such Act (22 U.S.C. 1071(a)) is amended by striking out "Six and one-half" and inserting in lieu thereof "Seven".

(b) The amendment made by subsection (a) of this section shall become effective on the first day of the first pay period beginning after the date of enactment of this Act or after December 31, 1969, whichever is later.

SEC. 103. Section 852(b) of such Act (22 U.S.C. 1091(b)) is amended by striking out "subsequent to July 1, 1924, and prior to the effective date of the Foreign Service Act Amendments of 1960, and at 6½" and inserting in lieu thereof "from July 1, 1924, to October 16, 1960, and at 6½ per centum from October 17, 1960, to December 31, 1969, and at 7".

SEC. 104. (a) Part G of title VIII of such Act (22 U.S.C. 1101-1104) is amended by adding at the end thereof the following new sections:

### "PAYMENTS FOR FUTURE BENEFITS

"SEC. 865. Any statute which authorizes—

"(1) new or liberalized benefits payable from the Fund, including annuity increases other than under section 832;

"(2) extension of the benefits of the System to new groups of employees; or

"(3) increases in salary on which benefits are computed;

is deemed to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in thirty equal annual installments with interest computed at the rate used in the then most recent valuation of the System and with the first payment thereof due as of the end of the fiscal year in which each new or liberalized benefit, extension of benefits, or increase in salary is effective.

### "UNFUNDED LIABILITY OBLIGATIONS

"SEC. 866. At the end of each fiscal year, the Secretary shall submit to the President

the Treasury of the amount equivalent to (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System, and (2) that portion of disbursement for annuities for that year which the Secretary estimates is attributable to credit allowed for military service. Before closing the accounts for each fiscal year, the Secretary of the Treasury shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of such amounts: 10 per centum for 1971; 20 per centum for 1972; 30 per centum for 1973; 40 per centum for 1974; 50 per centum for 1975; 60 per centum for 1976; 70 per centum for 1977; 80 per centum for 1978; 90 per centum for 1979; and 100 per centum for 1980 and for each fiscal year thereafter. The Secretary shall report to the President and to the Congress the sums credited to the Fund under this section."

(b) The provisions of section 866 of the Foreign Service Act of 1946, as contained in the amendment made by subsection (a) of this section, shall become effective at the beginning of the fiscal year which ends on June 30, 1971.

## TITLE II—FOREIGN SERVICE RETIREMENT BENEFITS

SEC. 201. Section 804(b) of the Foreign Service Act of 1946 (22 U.S.C. 1064(b)) is amended by adding at the end thereof the following new paragraph:

"(6) 'Price index' means the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics."

SEC. 202. (a) Section 821(a) of such Act (22 U.S.C. 1076(a)) is amended by striking out "five" each place it appears and inserting in lieu thereof at each such place "three".

(b) Section 821(c) of such Act (22 U.S.C. 1076(c)) is amended as follows:

(1) Paragraph (1) of such section is amended by striking out all after "(1)" and inserting in lieu thereof "\$900; or (ii) \$2,700 divided by the number of children."

(2) Paragraph (2) of such section is amended by striking out all after "(1)" and inserting in lieu thereof "\$1,080; or (ii) \$3,240 divided by the number of children."

SEC. 203. (a) Section 832(b) of such Act (22 U.S.C. 1082 (b)) is amended—

(1) by striking out "five years" and inserting in lieu thereof "eighteen months"; and

(2) by inserting immediately before the semicolon following "section 821(a)" the following: "and if the participant had less than three years creditable civilian service at the time of death, the survivor annuity shall be computed on the basis of the average salary for the entire period of such service."

(b) Subsections (c) and (d) of such section 832 are each amended by striking out "five years" and inserting in lieu thereof "eighteen months".

SEC. 204. (a) Section 851 of such Act (22 U.S.C. 1091) is amended (1) by inserting "(a)" immediately after "Sec. 851.", and (2) by striking out "the Federal Employees' Compensation Act of September 7, 1916, as amended" and inserting in lieu thereof "subchapter 1 of chapter 81 of title 5, United States Code".

(b) Section 851 of such Act is further amended by adding at the end thereof the following new subsection:

"(b) In computing any annuity under this title, the total service of a participant who retires on an immediate annuity or who dies leaving a survivor or survivors entitled to annuity includes, without regard to the thirty-five-year limitation imposed by section 821(a), the days of unused sick leave to his credit except that these days will not be counted in determining average basic salary

contribution to the Fund shall not be required from a participant for this service credit."

SEC. 205. Section 882 of such Act (22 U.S.C. 1121) is amended to read as follows:

"SEC. 882. (a) Effective the first day of the third month which begins after the date of enactment of the Foreign Service Act Amendments of 1969 (hereafter in this section referred to as 'this amendment'), each annuity payable from the Fund which has a commencing date not later than such effective date shall be increased by 1 per centum plus the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum, determined by the Secretary on the basis of the increase in the price index for the month latest published on the date of enactment of this amendment over the average price index for the calendar year forming the basis for the last increase under this section prior to this amendment.

"(b) Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the month last used to establish an increase, each annuity payable from the Fund which has a commencing date not later than such effective date shall be increased by 1 per centum plus the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

"(c) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the Fund as of the effective date of an increase except as follows:

"(1) Effective from its commencing date, an annuity payable from the Fund to a surviving wife, husband, or designated beneficiary of an annuitant shall be increased by the total per centum increase the annuitant was receiving under this section at death.

"(2) For purposes of computing an annuity which commences on or after November 1, 1969, to a child under section 821(c) or 832 (c) or (d), the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 821 (c) shall be increased by the total per centum increases allowed and in force under this section subsequent to November 1, 1969.

"(d) To increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

"(e) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar, except such installment shall after adjustment reflect an increase of at least \$1."

SEC. 206. (a) The amendments made by sections 202(a), 203, and 204 shall become effective as of October 20, 1969. Such amendments shall not apply to persons retired or otherwise separated prior to such date, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if such sections had not been amended by this Act.

(b) Any lump sum payment of contributions and interest made pursuant to section 832(a) of such Act because of the death of a participant shall be repaid to the Fund, or arrangements satisfactory to the Secretary of State made for such repayment, before any annuity authorized by the amendments made by section 203 shall be paid to any survivor of such participant.

(c) The amendments made by section 202 (b) shall become effective as of November 1, 1969.

(d) The annuity of each child entitled to receive an annuity under sections 821(c) and 832 (c) and (d) of such Act, as amended by this Act, shall be recomputed, effective as of November 1, 1969, in accordance with the Act as amended by this

Act. No increase allowed and in force prior to November 1, 1969, shall be included in the recomputation of any such annuity, and this subsection shall not operate to reduce any annuity.

(c) Section 832(c)(1) of such Act as amended by this Act shall not apply with respect to survivor annuities in effect on the date of enactment of this Act.

The SPEAKER. Is a second demanded?

Mr. ADAIR. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. HAYS. Mr. Speaker, this bill, H.R. 14789, has very limited objectives. It seeks to grant to Foreign Service personnel of the Department of State and of USIA the improved retirement benefits recently voted by Congress for those in the civil service retirement system.

Since 1924, the Foreign Service has had its own retirement fund and system. By comparison with the civil service retirement fund it is minuscule. Some 2,700,000 Government employees are covered by the latter fund while only 5,800 are under the Foreign Service retirement system. Some 910,000 individuals are now drawing annuities from the civil service fund compared with less than 2,000 from the Foreign Service fund. Thus we are not dealing with huge numbers of Government employees.

The fact that we are dealing with a much smaller number of individuals in this bill does not mean that the Foreign Service retirement fund is in better shape than the civil service retirement fund. It is not; in fact, it is in relatively worse shape. That is why the committee, before it decided to recommend improvements in retirement benefits, adopted the financing arrangements for the Foreign Service fund that Congress recently voted in Public Law 91-93 or the civil service fund. Those arrangements were carefully considered by the Post Office and Civil Service Committees of both bodies. They are sound and reasonable and will go a long way to improve the solvency of the civil service retirement fund. Our committee incorporated them into this bill as title I in order to improve the financial condition of the Foreign Service retirement fund.

This bill requires increased contributions to the Foreign Service fund by employees and by the Government; it directs the Treasury to pay interest on the unfunded liability of the fund; it requires reimbursement to the fund for credit for military service; and finally, it authorizes appropriations to cover any increase in the unfunded liability that may arise from improved benefits voted to Foreign Service personnel in the future.

The improved retired benefits recommended by the committee parallel those recently voted for civil service personnel; namely, computation of annuities on the basis of the high 3 years of service in place of the present high 5 years; increases in children's annuities; and the use of unused sick leave for retirement credit.

Finally, this bill puts into law the cost-of-living adjustment formula now used by the civil service. The bill also provides that ice personnel receive such adjustments

on the basis of the original formula used by the civil service and which Congress improved in 1965.

Mr. Speaker. The morale of any group of employees depends upon fair and equitable treatment of all. Any discrimination in favor of some can only have an adverse effect on those who do not receive these benefits. The committee does not seek for Foreign Service personnel any benefits not already accorded those in the civil service. As the report points out time and again, we have not gone beyond any provisions granted to civil service personnel in the recently enacted law, Public Law 91-93.

I believe the approach we have taken in this bill is both just and reasonable. I urge the House to act favorably on H.R. 14789.

Mr. ADAIR. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, I rise in support of H.R. 14789. This legislation has been long and carefully considered by the Committee on Foreign Affairs and its Subcommittee on State Department Organization and Foreign Operations, of which the gentleman from Ohio (Mr. Hays) is the chairman.

I supported this bill in committee and I support it here today. There are several reasons why it merits our support, one of the most important being that it corrects certain obvious inequities between the Foreign Service retirement benefits and benefits available to those covered by the civil service retirement program. We should support this legislation in fairness to the Foreign Service employee of whom so much is expected in the course of his assignments to various foreign posts during his career.

Mr. HAYS has already explained the provisions of the bill, and the committee report, which is available to you, has reviewed these provisions in detail.

In addition to placing the Foreign Service retirement program on a par with that for civil service employees, this bill will provide a much needed improvement in the financial condition of the Foreign Service retirement fund. As noted on page 3 of the report, these improvements include an increase from 6½ to 7 percent in the employee contribution rate and the matching Government contribution.

These and the other improvements enumerated are urgently needed to improve the financial condition of the retirement fund.

I urge your support of H.R. 14789.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. ADAIR. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Speaker, let us see what the cost of this legislation is, if the gentleman will be kind enough to inform us of the additional cost.

Mr. HAYS. It will add about \$1,000,000 to the unfunded liability.

Mr. GROSS. That is to the unfunded liability?

Mr. HAYS. That is correct.

Mr. GROSS. But there is, if I understand the report correctly, a liability of the U.S. Treasury; is that correct?

Mr. HAYS. That is a liability of the Treasury, as there is in the civil service

retirement system, and every other fund, because as I am sure the gentleman is aware that over the years—over a period of years, let me put it that way, mainly because the Government did not contribute its share.

Mr. GROSS. This legislation does not go beyond—or does not give Foreign Service personnel advantages that regular civil servants have in the matter of retirement over, above or beyond the present law?

Mr. HAYS. The gentleman is exactly correct.

Mr. GROSS. I thank the gentleman.

The SPEAKER. The question is on the motion of the gentleman from Ohio that the House suspend the rules and pass the bill H.R. 14789.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

#### GENERAL LEAVE TO EXTEND

Mr. HAYS. Mr. Speaker, I ask unanimous consent that all Members may extend their remarks on this bill at this point in the Record.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

#### DIPLOMATIC CONFERENCE IN THE UNITED STATES IN 1970 TO NEGOTIATE A PATENT COOPERATION TREATY

Mr. HAYS. Mr. Speaker, I move to suspend the rules and pass the Senate Joint Resolution (S.J. Res. 90) to enable the United States to organize and hold a diplomatic conference in the United States in fiscal year 1970 to negotiate a Patent Cooperation Treaty and authorize an appropriation therefor.

The Clerk read as follows:

S.J. Res. 90

Whereas all countries issuing patents, and especially countries such as the United States having an examination system, deal with large and constantly growing numbers of patent applications of increasing complexity; and

Whereas in any one country a considerable number of patent applications duplicate or substantially duplicate applications relating to the same inventions in other countries, thereby increasing further the volume of applications to be processed; and

Whereas a resolution of the difficulties attendant upon duplications in filings and examination would result in more economical, quicker, and more effective protection for inventions throughout the world thus benefiting inventors, the general public, and government; and

Whereas a treaty for international patent cooperation providing a central filing, search, and examination system should provide a practicable means of resolving the difficulties arising out of the duplications in the filing and examination of patent applications; and

Whereas governments concerned with international patent problems have spent a number of years in consultation and in the development of a draft treaty for international patent cooperation to alleviate these problems; Now, therefore, be it